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Corporate social responsibility in India: An overview

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Abstract

Corporate social responsibility (CSR) is a buzzword worldwide. In today's globalized world, one of the great challenges faced by firms is integration of CSR in business. Stakeholders require a lot more from companies than merely pursuing growth and profitability. CSR has come a long way in India and other emerging markets. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. This paper focuses on the concept of CSR, its dimensions and relevance in emerging markets with special reference to India.

Keywords: CSR, sustainability, approach, stakeholders, initiatives, challenges

Introductions

"A company should have in its DNA, a sense to work for the welfare of the community. CSR is an extension of individual sense of social responsibility. Active participation in CSR projects is important for a company" - Ratan Tata

The concept of corporate social responsibility has gained prominence from all avenues. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well and get self-satisfaction in return as well as societal obligation of business. As an engine for social progress, CSR helps companies live up to their responsibilities as global citizens and local neighbors in a fast-changing world.¹ For Indian businesses CSR can be a source of opportunity, innovation, and competitive advantage while at the same time providing with the opportunity to actively contribute to the sustainable development. Organizations in India have been quite sensible in taking up CSR initiatives and integrating them in their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large.

CSR origin and development in Indian scenario

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhanian were strongly inclined towards economic as well as social considerations. However, it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which

the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development.] According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

The Fourth Phase

In the fourth phase (1980 - 2015) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Literature review

Sumona Ghosh (2015)

The study aims to explore the establishment of a pattern of participation of corporate social responsibility (CSR) activities amongst private sector companies as reflected in the respective company documents in the public domain, taking absolute profit as the parameter. The study showed that the most preferred CSR activities were education, health and environment. Drinking water and sanitation and urban upliftment were the least preferred activities. Significant correlation was observed with respect to various CSR activities that the companies were responsive to. Companies belonging to the manufacturing sector and the diversified sector have shown the highest responsiveness towards such activities. Companies have attached the highest importance (Level 1) to the following CSR activities: education, environment, health, rural upliftment and others.

Shubhashis Gangopadhyay (2014)

The theoretical literature and empirical studies on CSR have systematically shown that CSR plays a significant role as an important part of a company's competitive strategy. Companies can compete by lowering prices without reducing the quality of the product, or by improving the quality without any significant increases in its price. Firms use their social activities as a signal to win over consumers who stay loyal to them and employees who prefer to work for them. However, such signalling works as a competitive strategy only if participation in such activities is voluntary.

Dr. M. Ramana Kumar (2013)

In his study on CSR (Analysis of select Indian Private and Public sector companies) tried to analyse the CSR activities carried out by Indian Private (Reliance Industries Ltd.) and public sector companies (ONGC) and also study the Indian government policies and programmes of CSR. The study revealed that though the Indian public and private firms are making efforts in the CSR areas, still there is a requirement of more emphasis on CSR. The study found that there is a significant difference in the CSR practices of RIL and ONGC as the CSR budget of ONGC is more than RIL during the year 2009-10, 2010- 11, and 2011-12 and average CSR score of ONGC is more than that of RIL during 2009 to 2013.

Brammer, Jackson & Matten (2012)

Study entitled as "Corporate Social Responsibility and institutional theory: new perspective on private governance" in Social economic review depicted that CSR is not only a voluntary action but is beyond that. In this study, CSR has been defined under institutional theory. The institutional theory stated that corporate social activities are not only voluntary activities but are a part of interface between business and society. Regulation/ governance are necessary for enhancing the corporate performance of businesses through CSR. The theory also suggested the form in which companies should take its social responsibilities; whether historical, political or legal form.

Netaji and Amran (2012)

Their study aims to measure the perception of owners/managers of small and medium-sized enterprises (SMEs) towards corporate social responsibility (CSR). It

also seeks to examine whether ownership type causes any difference in the CSR attitudes of small firms owners. The findings of this study revealed that majority of Malaysian SME owners have a philanthropic view towards CSR followed by modern view. Besides, it was found that ownership type causes a significant difference in the perception towards CSR's cost/benefit between sole proprietorship firms and private limited enterprises.

Frisko and Arisandi (2011)

Have studied the practices of corporate social responsibility (CSR) run by state owned company in Indonesia which tends to focus on strengthening economies of small and medium enterprises (SMEs) through partnership program as per regulation framework. The analysis included examining the background of program, assess its impact to stakeholder, and evaluate the effectiveness of social program done by state-owned company. Eventually, this study expected to provide information about effectiveness analysis of CSR programs for company and government to design proper rules in creating sustainability development for a better future.

Erli and Lasmono (2010) examine consumer perception towards CSR in the developing country Indonesia. This research produced mixed results, suggesting that CSR is still a concept waiting to be applied in the developing country. Consumers are often unaware and unsupportive towards CSR. This is opposite finding of consumer perception in developed countries where most consumers are willing to support CSR launched by corporations. Nevertheless, there is an interesting finding, when consumers have to buy similar products with the same price and quality, CSR could be the determining factor. They would buy from the firm that has a socially responsible reputation.

Sharma *et al.* (2009) Business organisations have woken up to the need of being committed towards CSR. This study is an attempt to explore the engagement of human resource management professionals in undertaking CSR. It suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. The combined impact of CSR and human resource activities which reinforce desirable behaviour can make a major contribution in creating long term success in organisation.

Reich (2008) argues that the new interest in so-called "Corporate Social Responsibility" is found on a false notion of how much profits a modern public corporation has to sacrifice for the sake of certain social goods, and that the promotion of corporate social responsibility by both the private and public sectors misleads the public into believing that more is being done by the private sector to meet certain public goals than is in fact the case.

Porter and Karmar (2006) has studied the role of Government, activists and the media that became adept at holding companies accountable for the social consequences of their activities. Many organizations rank companies on the basis of performance of their corporate social responsibility (CSR), and, despite sometimes questionable, these rankings attract considerable publicity.

Changing trends in CSR: From charity to responsibility

An insight into the history of CSR reveals that till 1990s it was solely dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often

restricted themselves to one-time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the efficacy and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing.

There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility.⁵ Review of the case studies and work done on CSR by companies in India suggests that the CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

Drivers of CSR

- 1. Care for all Stakeholders:** The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.
- 2. Ethical functioning:** Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.
- 3. Respect for Workers' Rights and Welfare:** Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.
- 4. Respect for Human Rights:** Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.
- 5. Respect for Environment:** Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.
- 6. Activities for Social and Inclusive Development:** Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations.

Key Issues in CSR

Labour Rights: Child labour, Forced labour, Right to organize, Safety and health.

Environmental conditions: Water & Air emissions, Climate Change, Human Rights, Cooperation with

Paramilitary Forces, Complicity in Extra-Judicial Killings.

Poverty Alleviation: Job Creation, Public Revenues, Skills and technology.

CSR Current Scenario in India: Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations. The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. Numerous organizations grade companies on the performance of their corporate social responsibility. As a result CSR has emerged as an inevitable concern for business managers in every organization.

CSR Activities in India: Education, gender equity and women's empowerment, combating HIV/AIDS, malaria and other diseases, eradication of extreme poverty, contribution to the Prime Minister's National Relief Fund and other central funds, social business projects, reduction in child mortality, improving maternal health, environmental sustainability and employment enhancing vocational skills among others. Investment in education, health, skill development and social infrastructure will enhance capabilities of the youth by improving their nutritional, skill and educational level, which in turn will better their employment prospects.

Challenges of CSR

Lack of Awareness of General Public in CSR Activities: There is a lack of interest of the general public in participating and contributing to CSR activities of companies. This is because of the fact that there exists little or no knowledge about CSR. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

Need to Build Local Capacities: There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

Issues of Transparency: Lack of transparency is one of the key challenges for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building among the companies which is a key to the success of any CSR initiative.

Non-Availability of Well Organized Non-Governmental Organizations: There is non - availability of well organized nongovernmental organizations in remote and rural areas

that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities.

Visibility Factor: The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event based programmes; in the process, they often miss out on meaningful grassroots interventions.

Narrow Perception towards CSR Initiatives: Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven. As a result, corporates find it hard to decide whether they should participate in such activities at all in medium and long run.

Non-Availability of Clear CSR Guidelines: There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. The scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.

Lack of Consensus: On Implementing CSR Issues There is a lack of consensus amongst implementing agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

Suggestions

- Under the Companies Act – 2013, a company can only be penalized for not filing of details regarding CSR, but no penal action for no-performance. Hence, there should be a clarification for penal action.
- Creating awareness among the general public in CSR activities and improving communication between the companies involved in CSR and the general public at the grassroots.
- There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies.
- There is a need for improving transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds, which is a key to the success of any CSR initiative.
- There is a need for well-organized non-governmental organizations to ensure successful implementation of CSR activities.
- The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the population about various ongoing CSR.

- Broad perception towards CSR initiatives is essential, as non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven.
- Clear cut statutory guidelines or policy directives are required to give a definitive direction to CSR initiatives of the companies.
- Consensus amongst implementing agencies regarding CSR projects is the need of the hour, because lack of consensus often results in duplication of activities by corporate houses in areas of their intervention.
- As the act does not provide any guidance on what constitutes acceptable reasons for which a company may avoid spending 2 % on CSR, hence it should be clarified.
- The companies in their CSR activities should give more preference for education, poverty elevation programmes, employment generation, roads and power etc.

Conclusion

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Though the concept of corporate governance may sound a novelty in the Indian business context and may be linked to the era of liberalization, it should not be ignored that the ancient Indian texts are the true originators of good business governance. Good corporate governance means governing the corporation in such a way that the interests of the shareholders are protected whilst ensuring that the other stakeholders' requirements are fulfilled as far as possible. India is a fast-growing economy and is booming with national and multinational firms. At the same time, the Indian land also faces social challenges like poverty, population growth, illiteracy just to name a few. Therefore, it is all the more imperative for the Indian companies to be sensitized to CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business.

Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business should embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. CSR-focused businesses should proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public, regardless of legality.

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